MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2015/2016 SESSION

BCS 4614 – GOODS AND SERVICES TAX

(All Sections / Groups)

15 OCTOBER 2015
9.00am-12.00pm
(3 Hours)

INSTRUCTION TO STUDENT

1. This Question paper consists of 4 (four) pages (excluding cover page) with 5 (five) Questions only.

2. Answer **ALL** Questions. All question carry equal marks. The distribution of the marks for each question is given.

3. Please write all your answers in the Answer Booklet provided

QUESTION 1

(a) Explain briefly the basic principles of the goods and services tax.

(5 marks)

(b) Explain briefly the three (3) categories of supply and the applicable rate in the context of the Goods and Services Tax Act 2014 (as amended).

(5marks)

(c) What are 'Out-of-Scope' supply and its implication for purposes of the Goods and Services Tax?

(5 marks)

(d) Explain the scope and charge to tax under the Goods and Services Tax Act 2014 (as amended).

(5 marks)
[Total: 20 marks]

QUESTION 2

a) Briefly explain the meaning of 'Supply' in the context of section 4 of the Goods and Services Tax Act 2014 (as amended).

(5 marks)

b) In the context of section 11 of the Goods and Services Tax Act 2014 (as amended) discuss the concept of a 'Basic Tax Point' in respect of the following matters:
(i) Supply of goods; and
(ii) Supply of services.

(5 marks)

c) KLC Sdn Bhd ('KLC') placed an order on 15 October 2015 with Mano Products Sdn Bhd ('Mano') for a machine costing RM500,000, and paid a deposit of RM50,000 with the order. Mano then issued a tax invoice for RM530,000 [RM500,000 cost and 6% goods and services tax] to KLC on the same date.

The machine was delivered to KLC on 15 November 2015 and a two weeks period was given to check for any machine defects before full settlement is to be made. The machine was found to be in good working order, and KLC accordingly settled the balance of the payment on 30 November 2015.

Required:

(i) Explain what would be the time of supply for the purposes of the Goods and Services Tax Act 2014 (as amended)?

(ii) When should Mano Products Sdn Bhd account for the goods and services tax to the Royal Malaysian Customs?

[Note: Assume a monthly taxable period].

(5 marks)
Continued...

d) MKY Sdn Berhad (MKY) purchased a power generator system from a company in Spain ('the Spanish company') for RM800,000. The generator is jointly manufactured by a company in France and Germany and distributed by the company in Spain under the European Economic Union Joint Venture Program. The Spanish company also provides maintenance services under a separate contract at an agreed charge of RM150,000 payable in three stages over a three month period. For the purpose of providing the services, French and German engineers would be seconded to Malaysia.

The following series of event took place in respect of the purchase of the machine, and the supply of services:

(i) A sale and purchase agreement and a service agreement were signed by the directors of MKY with the Spanish company in Madrid, the capital of Spain, on 10th May 2015.

(ii) The machine was shipped to Malaysia on 30th May 2015 and was released by the local Customs office on 15th June 2015. The payment of RM900,000 for the machine (inclusive of customs duties) was made on the same day it was released.

(iii) RM50,000 was paid on 15 July 2015 being the first part of the payment for the services rendered for the maintenance of the machine

(iv) A dispute arose as to the supply of services which MKY found to be not satisfactory, and the second payment due on 15 August 2015 was not made

(v) The Spanish company demanded payment and issued a legal notice. MKY Sdn Bhd then engaged a legal firm in Kuala Lumpur to fight a case and made an advance payment of RM10,000 to the said firm.

Required:

In respect of each of the above event, indicate whether goods and services tax is due, the amount due and when it should be accounted for to the Royal Malaysian Customs? *[Note: Assume a monthly taxable period]*.

(5 marks)

[Total: 20 marks]

QUESTION 3

(a) Explain briefly what you understand by 'capital goods adjustments' for the purposes of the Goods and Services Tax 2014(as amended)

(5 marks)

(b) How and what is the purpose of making a capital goods adjustments under the Goods and Services Tax 2014(as amended)?

(5 marks)

(c) KJM Sdn Bhd ('the company') is a developer of commercial and residential properties and, for the purpose of the Goods and Services Tax 2014(as amended) it is a registered person and is classified as a mixed supplier.

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The tax year is 31 December. In May 2015, the company acquired an earth moving machine for RM3 million and paid a goods and services tax RM180,000 to the Royal Malaysian Customs.

The company had estimated that over the next five years, its annual residual input tax credit recovery rate would be as follows:

Interval (years)	Annual residual input tax credit recovery rate (%)
First	55
Second	65
Third	40
Fourth	80
Fifth	85

Required:

(i) Indicate the respective year in relation to the interval applicable.
(ii) Compute the input tax credit KJM Sdn Bhd could claim for the first interval.
(iii) Compute and determine the amount of GST adjustment that must be made in from the second year till the fifth year for the purposes of the Goods and Services Tax 2014(as amended).

(10 marks)
[Total: 20 marks]

QUESTION 4

(a) With reference to the Goods and Services Tax 2014(as amended) briefly describe the conditions for a mandatory registration for goods and services tax purposes.

(5 marks)

(b) Vani Floral Products Sdn Bhd ('Vani') is a company trading in fresh flowers, and closes its accounts to 31 December each year. The company also has a 70% shares in a lorry transport company. Vani also has a 30% share interest in a fertilizer company, Speed Growth Sdn Bhd. Vani has substantial inter-company transactions on matters connected with transport and fertilizers with the other two companies.

The director of Vani is not very clear of the laws pertaining to goods and services tax , but he has heard from business colleagues that group registration would help with GST problems, and has asked you for an opinion, including whether he should consider group registration.

Required:
Advise the director of Vani Floral Products Sdn Bhd on the conditions for a group registration, and the obligation and benefits of such a registration.

(5 marks)

Continued...

(c) Explain the two methods of determining the taxable turnover indicating the four items that should be included, or excluded as the case may be, in the determination of the taxable turnover.

(10 marks)
[Total: 20 marks]

QUESTION 5

(a) MRT Sdn Bhd ('the company') is a registered person for the purposes of goods and services tax. It has applied to change its accounting basis from an accrual (or invoice basis) to payment basis and the Director General of Customs and Excise gave written approval with effect from 1 October 2015. The company files its goods and services tax returns on a quarterly basis.

The ledger balance as at 1 October 2015 showed the following balance:

Debtor balance	RM100,000
Creditor balance	RM140,000

Required:

Show how MRT Sdn Bhd should do the adjustment in the return covering the period October 2015 to December 2015 with respect to the change in the accounting basis.

(5 marks)

(b) What do you understand by the 'De Minimis' rule and when should it be applied?

(5 marks)

(c) Mahendra Traders Sdn Bhd ('the company') makes both taxable and exempt supplies. The company has provided the following information in respect of its supplies and residual input tax for the four quarters in 2016.

Supply (Quarter)	Taxable (RM)	Exempt (RM)	Total (RM)	Residual input tax (RM)
1	492,000	61,500	553,500	12,300
2	61,500	123,000	184,500	24,600
3	984,000	49,200	1,033,200	14,760
4	1,225,000	125,000	1,350,000	22,140

Required:
Compute the annual adjustment that must be made to account for any overpaid or underpaid goods and services tax for Mahendra Traders Sdn Berhad.
[Note: Assume there is no change in the law; and round your answer to 2 decimal places].

(10 marks)
[Total: 20 marks]

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